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May 16, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
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Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Acting Auditor-Controller

SUBJECT: **DEPARTMENT OF PARKS AND RECREATION – REVIEW OF
ARBORETUM OPERATIONS**

At the request of the Department of Parks and Recreation (DPR or Department), we reviewed the operations of the Los Angeles County Arboretum and Botanic Garden (Arboretum). The Arboretum is jointly operated under a 20-year agreement (Agreement) by the County and the Los Angeles Arboretum Foundation, Inc. (Foundation). The Foundation provides approximately one-third of the Arboretum's staff and \$1.3 million per year for Arboretum operations, marketing and educational programs.

We evaluated the Arboretum's compliance with the Foundation Agreement and County fiscal policies and procedures. We focused on specific issues raised by DPR related to revenue, expenditures, timekeeping and cash handling. There are other County departments that currently have similar agreements with other foundations. Although this report focuses on the Arboretum, we recommend that Departments with similar foundation agreements review the findings in this report and ensure they comply with their foundation agreements and Chapter 16 of the County Fiscal Manual.

Results of Review

The Arboretum is a 127-acre botanical garden and historic site with over 100,000 visitors a year. The Arboretum offers many gardening classes and other art and camp programs for visitors. The Foundation Agreement and joint operation of the Arboretum are a complex arrangement with many unclear areas of responsibility. DPR was

concerned about these areas and requested that we review the Arboretum operations. The following is a summary of the issues noted during our review.

Arboretum/Foundation Operations

DPR and the Foundation need to improve their controls over Arboretum budgets and monitoring of Arboretum and Foundation operations. Specifically:

- DPR has exceeded the Board of Supervisors authorized \$1 million annual Arboretum budget by approximately \$450,000 (45%) a year for the past three fiscal years.
- The Foundation does not obtain their Board of Trustees and the DPR Director's approval to pay County employees for work performed for the Foundation on County time as required by the Agreement.
- DPR has not adjusted its filming location fees as required by the Filming Agreement since 1991. As a result, DPR undercharged filming companies by approximately \$80,500 in fiscal year (FY) 2006-07 alone.
- The Arboretum charged some facility rental fees that were not approved by the Board and waived other fees without Board approval. For example, DPR waived admission fees for all school tours resulting in approximately \$58,000 in waived fees in FY 2006-07. DPR also waived approximately \$43,200 in Restaurant/Café event fees over the past two fiscal years.
- DPR and the Foundation have accumulated donations of \$1.6 million and \$3 million, respectively, and have not developed plans to spend the donations. We also noted that the Foundation cannot ensure some of the donated funds are spent in accordance with donor requirements because they do not have the original documentation on the donation amounts, purpose or restrictions.
- The Agreement between the County and Foundation can be improved by prohibiting County employees from serving on Foundation boards, clarifying authority over food service contracts, specifying the Foundation's required contribution, adjusting the County contribution for inflation, allowing the County to renegotiate its contribution in case of budget problems, and requiring the Foundation to reimburse the County for direct costs, including staffing costs, in connection with the use of the facilities.

Timekeeping and Payroll

DPR needs to strengthen controls over their timekeeping and payroll functions.

- Arboretum management does not ensure County employees report their hours accurately. We found that 54% of the timecard entries reviewed did not agree with the supporting documentation (e.g., timelogs, etc.) as required by DPR policy. These discrepancies resulted in both over and under payments.
- DPR's Payroll Unit miscoded timecards, resulting in over and under payments, as well as misstatements in Arboretum employee leave benefit balances.

Other Issues

DPR also needs to improve internal controls by restricting access to cash registers, establishing proper separation of duties and documenting the transfer of responsibility when transferring cash. In addition, DPR management needs to better account for fixed assets and portable equipment and conduct required annual physical inventories. DPR should also maintain proper documentation for travel/training and ensure overtime is properly authorized.

DPR management did not appropriately complete their most recent annual Internal Control Certification Program (ICCP) and, as a result, they did not detect many of the issues noted in our review.

Details of these and other findings and recommendations are attached.

Acknowledgement

We discussed our report with DPR and Foundation management. DPR and the Foundation have shown an understanding and willingness to work together to resolve the issues noted in our review. The Department's response is attached.

We thank Department and Foundation personnel for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Jim Schneiderman at (626) 293-1101.

WLW:MMO

Attachment

c: William T Fujioka, Chief Executive Officer
Russ Guiney, Director, Department of Parks and Recreation
Mark K. Wourms, Chief Executive Officer, Los Angeles County Arboretum
G. Arnold Mulder, President, Los Angeles Arboretum Foundation
All County Department Heads
Public Information Office
Audit Committee

DEPARTMENT OF PARKS AND RECREATION ARBORETUM OPERATIONS REVIEW

Background

The Los Angeles County Arboretum and Botanic Garden (Arboretum) is a 127-acre botanic garden and historic site operated by the County Department of Parks and Recreation (DPR) and Los Angeles Arboretum Foundation (Foundation) staff. In 1998, the County entered into a 20-year agreement with the Foundation to jointly operate the Arboretum, under the direction of a Joint Executive Committee (Committee) comprised of the Director of DPR (Director) and the Foundation's President.

The County and Foundation collect fees for the use of the Arboretum. In fiscal year (FY) 2006-07, the County and Foundation's combined Arboretum revenue was approximately \$2.4 million (\$1 million County and \$1.4 million Foundation).

There are other County departments that currently have similar agreements with other foundations. Although this report focuses on the Arboretum, we recommend that Departments with similar foundation agreements review the findings in this report and ensure they comply with their foundation agreements and Chapter 16 of the County Fiscal Manual.

Budgetary Control

The Arboretum operating agreement indicates the County will expend \$1.06 million a year on the Arboretum. The Agreement also requires DPR management to prepare an annual operating budget, for both the County and Foundation contributions, and a multi-year capital projects budget for the Committee's approval.

County Contributions to the Arboretum

DPR does not adequately monitor Arboretum expenditures. As a result, the Department has exceeded the Board of Supervisors' authorized \$1 million annual Arboretum budget by approximately \$450,000 a year (45%) over the past three fiscal years. This does not include a large, one-time settlement in FY 2006-07 for an accident at the Arboretum. In addition, we noted that DPR incorrectly posted some Arboretum travel/training expenditures to other units, which understated Arboretum expenditures.

Further, DPR does not prepare an annual cost/benefit analysis to compare the County's support costs to the benefits received from the Foundation as required by the CFM, and has not adjusted the County contribution amount since it was established in February 1998.

DPR management needs to ensure that County expenditures do not exceed the Board of Supervisors' authorized amounts, that Arboretum expenditures are properly recorded, and that they prepare a cost-benefit analysis of the relationship with the Foundation.

Recommendations**DPR management:**

- 1. Monitor Arboretum expenditures to ensure the County contribution does not exceed the Board-approved amount.**
- 2. Ensure Arboretum expenditures are properly recorded.**
- 3. Prepare a cost-benefit analysis on the relationship with the Foundation within 90 days of the end of the fiscal year as required by the County Fiscal Manual.**

Arboretum Internal Budget

The Agreement requires the Arboretum CEO to prepare an annual operating budget, reflecting both County's and Foundation's contributions and a multi-year capital projects budget for the Committee's approval.

We noted that the Arboretum CEO prepares an annual budget for the Foundation's funds but does not prepare a combined budget for the Foundation's and County's funds. In addition, although DPR prepares a multi-year Arboretum capital projects budget, they do not obtain budget approval from the Foundation or the Committee.

The Arboretum CEO should prepare combined Arboretum budgets and multi-year capital projects budgets for approval by the Joint Executive Committee. DPR should also submit the Arboretum capital projects budget to the Foundation and/or the Committee for approval.

Recommendations

- 4. Arboretum CEO prepare combined Arboretum budgets and multi-year capital projects budgets for approval by the Joint Executive Committee.**
- 5. DPR management submit the Arboretum capital projects budget to the Foundation and/or the Committee for approval.**

Revenue

DPR receives all Arboretum admission fees, facility rentals and filming fees. The Foundation receives annual memberships, gift shop sales, café concessions and various event fees. Both parties receive donations, grants and bequests. The County and Foundation's combined Arboretum revenue in FY 2006-07 was approximately \$2.4 million (\$1 million County and \$1.4 million Foundation).

Filming Fees

The County established a filming agreement with the Foundation (Filming Agreement) in January 1991, which indicates that fees for filming at the Arboretum should be adjusted every three years based on the Consumer Price Index (CPI).

We noted that DPR has not adjusted filming fees since they were established in 1991. As a result, DPR undercharged for filming fees by approximately \$80,500 for FY 2006-07. We noted similar issues with filming fees at the County's other Botanic Gardens and at County Museums. We are working with DPR and the Museums to ensure these fees are adjusted in compliance with Board Policy.

DPR management adjust the Arboretum filming fees as required by the Filming Agreement.

Recommendation

- 6. DPR management adjust filming fees as required by the Filming Agreement.**

Compliance with Board Approved Fees

The Arboretum has Board approved fees for a number of activities in addition to filming, such as admissions, weddings and receptions. DPR does not always charge or waive Arboretum admission fees in compliance with Board authorization. Specifically:

- The Board approved reducing admission fees by 50% on the third Tuesday of each month. However, DPR waives the entire admission fee on those days resulting in a loss of at least \$15,000 in FY 2006-07.
- DPR waives admission fees for all school tours, which resulted in approximately \$58,000 in waived fees in FY 2006-07. However, DPR has no Board authority to waive these fees.

We also reviewed a sample of 19 events and noted that DPR did not charge or waive eight fees (42%) in accordance with Board approvals. Specifically, DPR waived fees for Restaurant/Café receptions, photography, and wedding receptions without Board approval, and charged additional fees for tram drivers, when tram drivers are included in the facility rental fee. Our review of the Arboretum Master Event Calendar as of February 20, 2007 indicates that DPR waived approximately \$43,200 in Restaurant/Café event fees over the past two fiscal years.

In addition, we noted that some Board approved fees for the Arboretum have ranges that can be charged. For example, the fee for wedding receptions is \$500-\$2,000. As a result, we noted instances where similar customers were charged different fees,

including fees being waived in exchange for Arboretum employees attending events, such as seminars, for free. Because of the potential for these types of inconsistencies, DPR management established detailed criteria for setting fees for some fee ranges, such as wedding ceremonies and receptions. However, DPR charged wedding reception fees that did not comply with the policy.

Finally, we noted that some fees in Arboretum marketing and rental information (e.g., wedding flyers, brochures, rental contracts and Arboretum website) provide inaccurate fee information. For example, the Arboretum website indicates that wedding photography fees will be waived the day of the ceremony, which is not in compliance with Board approved fees.

DPR management indicated they believed they had the authority to waive and adjust fees. However, the Department could not provide any specific authorization from the Board to change the fees. DPR management should charge Board approved fees, or obtain Board approval to waive/adjust fees. If the Board gives DPR authority to waive/adjust fees, DPR should develop a policy on when fees should be waived/adjusted and monitor for compliance. DPR and the Arboretum should also ensure that the fees listed in Arboretum marketing/rental information are the Board approved fees.

Recommendations

- 7. DPR management charge Board approved fees, or obtain Board approval to waive/adjust the fees.**
- 8. If the Board gives DPR authority to waive/adjust fees, DPR develop a policy on when fees should be waived/adjusted and monitor for compliance.**
- 9. DPR and the Arboretum ensure the fees listed in Arboretum marketing/rental information are the Board approved fees.**

Revenue Allocation and Responsibilities

As noted earlier, the County receives all admissions, facility rentals and filming fees. The Foundation receives annual memberships, gift shop sales, café concessions, and various event fees. Although both parties agree on this revenue split, the Agreement does not clearly define who is entitled to each revenue source. In addition, the Filming Agreement indicates that the Foundation should collect and account for filming fees, but the County continues to handle this responsibility.

DPR should work with the Foundation to clearly define who is entitled to each revenue source in the Agreement.

Recommendation

- 10. DPR management work with the Foundation to clearly define who is entitled to each revenue source in the Agreement.**

Collections

Based on DPR's concern over the Foundation collecting County revenue, we reviewed 62 Foundation revenue transactions and noted:

- For 12 (19%) collections totaling \$13,940, the Foundation could not provide documentation indicating the revenue belonged to the Foundation. Although the Foundation's Education Office had certain checks and other documents, they were not adequately filed or referenced to specific transactions.
- Two (3%) other collections, totaling \$7,400, made by the Foundation belonged to the County; a \$7,000 donation to DPR and a \$400 reimbursement for damage to Arboretum grounds.

DPR management should work with the Foundation to resolve the questioned collections, and ensure the Foundation only collects Foundation revenue and maintains documentation supporting their collections in accordance with the Agreement.

Recommendation

- 11. DPR management work with the Foundation to resolve the questioned collections and ensure the Foundation only collects Foundation revenue and maintains documentation supporting collections as required by the Agreement.**

Foundation Expenditures

The Agreement requires that Foundation expenditures be properly documented and only for Arboretum purposes. We tested 45 Foundation expenditures and noted 12 (27%) questionable expenditures:

- Ten expenditures, totaling \$9,961, for which Foundation personnel could not provide documentation that the expenditures were for Arboretum purposes.
- Two questionable expenditures; a \$268 holiday party for staff and a \$500 donation to a hospice that, at a minimum, should have been approved by the Arboretum's Joint Executive Committee.

DPR management should ensure Foundation expenditures are properly documented and for Arboretum purposes only.

Recommendation

- 12. DPR management ensure Foundation expenditures are properly documented and for Arboretum purposes only.**

Bequests and Donations

Both the Foundation and DPR receive donations from the public. Unrestricted donations may be used as determined by management. Restricted donations may only be used in compliance with the donor's restrictions. The Foundation deposits donations to be used in the current FY into their checking account and deposits bequests and donations that will be used over a longer period into an investment account. The Foundation monitors these donations in individual donation accounts. DPR deposits donations to the County into their Donations Trust Account.

Donation Account Balances

The Department and Foundation are accumulating significant amounts of donated funds. Specifically,

- The Foundation's June 2007 bank records show donation account balances of approximately \$2.8 million, \$200,000 of which is restricted. Foundation records also indicate that approximately \$3 million has been available for at least three years. Our review of ten donation accounts revealed that nine have had no expenditures during the past two years.
- DPR's July 2007 Arboretum Donations Trust Account had a balance of \$1.6 million. Trust records indicate that DPR has made no expenditures from the Trust Account in over three years.

We noted that DPR and the Foundation have no formal plans to use these funds.

DPR management could not explain the lack of County donation spending. However, Foundation management told us that they limit donation spending to maximize their interest earnings and ensure funds are available in time of need.

DPR should work with the Foundation to develop plans, including time frames, to spend donated funds.

Recommendation

- 13. DPR management work with the Foundation to develop plans including time frames to spend donated funds.**

Foundation Donation Account Records

The Foundation needs to improve their accounting records by maintaining up-to-date donation account records and reconciling their accounting records. Specifically, we noted that:

- The Foundation's bank records indicate donation account balances of \$2.8 million. However, as of June 30, 2007, the Foundation's detailed donation account records showed a balance of approximately \$3.4 million.
- For three Foundation donation accounts reviewed, the Foundation's detailed records indicated no activity for the past two FYs. However, the Foundation's FY 2005-06 audited financial statements showed changes in the balances of two donation accounts and the Foundation's accountant also confirmed that a third donation account was earning interest and dividends.

Arboretum management agreed that the Foundation donation account records were not up-to-date, and told us that the \$600,000 difference between the bank records and the detailed donation account records was due to expenditures that were not recorded in the detailed accounts. However, we could not verify this because the Foundation does not reconcile their accounts. In addition, because these expenditures were not recorded in the Foundation's detailed donation account records, we could not determine whether they were in compliance with donors' restrictions.

We also noted that the Foundation did not have original documentation for six of the ten bequest/donation accounts we reviewed identifying the donation amount, purpose or restrictions. Therefore, the Foundation cannot ensure donated funds are spent in accordance with donor requirements.

Recommendations

DPR management ensure the Foundation:

- 14. Establishes procedures to properly account for bequest/donation accounts, including recording and reconciling account activity.**
- 15. Maintains original documentation identifying the donation amount, purpose for the donation or applicable restrictions for all future donations.**

Donation Reporting Requirements

DPR received approximately \$118,500 in donations over the past two FYs. However, the Department has not filed quarterly gift reports with the Board's Executive Officer-Clerk or a Statement of Donation Receipts/Expenditures with the Auditor-Controller's Audit Division as required by the County Fiscal Manual.

To ensure all gifts and donations are properly accounted for and are in compliance with County policy, DPR management should implement the following recommendation.

Recommendation

- 16. DPR management file quarterly gift reports with the Board Executive Office, and file a Statement of Donation Receipts/Expenditures with the Auditor-Controller's Audit Division as required by the County Fiscal Manual.**

Collections/Cash Controls

The CFM requires departments to establish controls over cash handling, such as limiting access to cash/checks, placing receipts in a secure location until deposited and restrictively endorsing checks upon receipt. In addition, the CFM indicates that the receiving and receipting of cash should be centralized to the extent possible.

The County collects revenue in two separate areas. The Admission's Office collects admission revenue and the Special Events Office collects facility rental, filming and wedding revenue. In total, DPR collects an average of \$940,000 a year in Arboretum revenue. We reviewed both offices' cash handling process and noted the following weaknesses:

Admission Office

- Staff do not use pre-numbered Departmental receipts when cash registers are not working as required in the CFM.
- Cashiers have keys/access to each others' cash registers, reducing accountability over collections.
- Safe combinations and keys to the safe room, which contains accounting records, are not restricted to key personnel.
- Signs are not posted instructing customers to ask for a receipt.

Special Events Office

- The key to the filing cabinet where cash is stored temporarily is accessible to all office staff.

- Checks are not always restrictively endorsed immediately upon receipt.
- Accounting documents (e.g., collection reconciliations, deposit slips, etc.) are accessible to individuals receiving collections.
- Signs are not posted instructing customers to ask for a receipt.
- Staff do not document a transfer of responsibility (i.e., reconciliation) when deposits are transferred to the cashiering supervisor for safekeeping.

We also noted that the Special Event's Office does not have cash registers and cash collection is a secondary responsibility for Special Events Office staff. To limit the cash handling function, DPR should consider transferring Special Event collection to the Admissions Office cashiers.

Recommendations

DPR management:

- 17. Require staff to:**
 - a. Use pre-numbered Departmental receipts when registers are not working.**
 - b. Ensure cashiers do not have keys/access to each others registers.**
 - c. Restrict safe room access to key personnel.**
 - d. Post signs instructing customers to ask for receipt.**
 - e. Place daily receipts in a secure location until ready for deposit.**
 - f. Restrictively endorse checks upon receipt.**
 - g. Restrict accounting documents from individuals receiving collections.**
 - h. Document the transfer of responsibility when transferring cash.**
- 18. Evaluate transferring Special Event collection duties to the Admissions' Office cashiers.**

Board Approved Agreements

We reviewed the County Agreement with the Arboretum Foundation for compliance with County policy and compared it to the County's operating agreements with the Museum of Natural History Foundation and the Museum of Art's Museum Associates and noted that the Agreement should be revised to:

- Prohibit County employees from being on the Foundation's board unless authorized by the Board of Supervisors as required by the County Fiscal Manual.
- Indicate who controls contracting for food service. DPR believes the Department should have this authority and that the Foundation should obtain the Director's consent to contract for food service.

- Define the type of contribution/support the County must provide. The Agreement currently only states that the County “agrees to commit resources of \$1,060,000”.
- Specify the Foundation’s minimum contribution to the Arboretum operations.
- Adjust the County contribution over time for inflation, and allow the County to renegotiate its contribution in the event of a budget crisis.
- Define the County’s and Foundation’s options if the County exceeds its required contribution. For example, requiring the Foundation to reimburse the County for direct costs, including staffing costs, in connection with the use of the facilities.

Recommendations

DPR management revise the Arboretum Operating Agreement to:

- 19. Prohibit County employees from being on Foundation boards without prior Board of Supervisors’ approval.**
- 20. Indicate who controls contracting for food service and clarify whether food service contracts require the Director’s consent.**
- 21. Clearly define the type of contribution/support the County is expected to provide the Arboretum.**
- 22. Specify the Foundation’s minimum contribution to the Arboretum operations.**
- 23. Adjust the County contribution over time for inflation and allow the County to renegotiate its contribution in the event of a budget crisis.**
- 24. Define the County’s and Foundation’s options if the County exceeds its required contribution.**

Employee Disclosure

The Agreement requires the Foundation to obtain their Board of Trustees and the DPR Director’s approval before paying County employees for performing Foundation work on County time. In addition, County employees receiving Foundation compensation, who act in an official Foundation decision-making position or perform Foundation administrative or support functions, must disclose this information in their annual Report on Outside Employment Activities. Department management should review these reports for potential conflicts of interest.

We reviewed six Foundation payments to County employees for Foundation work performed on County time and noted none of them had the required approvals. In addition, we noted that the County employees paid by the Foundation did not disclose this on their annual Report on Outside Employment Activities.

We also noted that although the Foundation obtained approval for the Arboretum CEO's Foundation initial stipend, the Foundation did not get approval to increase the stipend as required by the Agreement. In addition, DPR does not require the Arboretum CEO to complete Form 700 disclosing economic interests. Based on our review of the Political Reform Act, the Arboretum CEO should complete the Form.

To minimize potential conflicts of interest and ensure compliance with the Board approved Agreement, the Department should implement the following recommendations.

Recommendations

DPR management:

- 25. Ensure the Foundation obtains their Board of Trustees and the DPR Director's approval to pay County employees for performing Foundation work on County time and obtain approval to increase the CEO's stipend.**
- 26. Ensure County employees being paid by the Foundation, acting in a Foundation decision-making position or performing Foundation administrative or support functions on County or non-County time, disclose this in their annual Report on Outside Employment Activities.**
- 27. Require the Arboretum Chief Executive Officer to complete a Form 700 disclosing certain personal economic interests.**

Foundation Policies and Procedures

We noted that the Foundation does not have policies and procedures for most of their operations, including donation processing, travel requests and authorizations, and membership/class registration and payment processing. Foundation employees operate on experience and/or supervisor direction.

To establish responsibility and accountability, Foundation management should develop and enforce policies and procedures for their operations.

Recommendation

28. Foundation management develop and enforce policies and procedures for their operations.

Timecards and Payroll Processing**Timecard and Payroll Exceptions**

As indicated below, we noted several payroll exceptions/issues due to incorrect timecard coding and Countywide Timekeeping and Payroll/Personnel System (CWTAPPS) input errors. These exceptions resulted in over and under payments, as well as errors in employee leave benefit balances. We gave DPR a list of exceptions. DPR management should ensure that exceptions/issues identified in this report are corrected by initiating overpayment recoveries, issuing supplemental warrants and adjusting leave benefit balances, as appropriate.

Recommendation

29. DPR management ensure that exceptions/issues identified in this report are corrected by initiating overpayment recoveries, issuing supplemental warrants, and adjusting leave benefit balances, as appropriate.

CWTAPPS Input Errors

We tested 67 timecard entries and noted six (9%) did not agree with the hours recorded in CWTAPPS resulting in incorrect payments. In three of the six instances, DPR Payroll staff adjusted the timecards without an approved adjustment form, and in the three other instances, DPR Payroll staff miscoded the time in CWTAPPS.

We noted DPR is not performing quarterly reviews to ensure timecard data is entered into CWTAPPS accurately as required by the County Fiscal Manual.

Recommendations**DPR management:**

30. Ensure DPR payroll staff obtain signed approvals before making timecard adjustments.
31. Review a random sample of timecards each quarter to ensure the timecard information was entered in the Countywide Timekeeping and Payroll/Personnel System accurately.

Time Logs & Time Cards

DPR policy requires the Arboretum to keep a log book for employees to record their arrival, lunch and departure times. The policy indicates that make-up time is not acceptable, and that working through breaks and lunch in order to leave work early or to make-up time is not allowed. The policy also requires supervisors to reconcile employee log books to timecards before approving the accuracy of the time reported.

We selected five County Arboretum employees and a four-week period and compared their timecard hours to the time log hours. Of the 67 timecard entries reviewed, 36 (54%) did not agree with the hours reported on the time log. We noted instances where:

- Employees reported more hours on the timecard than were recorded on the timelog, potentially resulting in overpayments.
- Employees recorded making-up time for leaving early or staying late on the timelog, but not on the timecard.
- Employees completed the timelog improperly (e.g., missing time in/out and lunch in/out).
- Supervisors did not sign the timelog as required by Department policy.

Of the 31 (67 - 36) timecard entries that did agree with the time log, we noted 17 instances where the time log showed the employee did not take a lunch break. In eight of the 17, the employees left early, which Department policy prohibits and in nine instances, the employees claimed overtime for working through lunch.

We also noted that Arboretum management and DPR's Payroll Unit did not reject a timecard that was partially completed in pencil and several timecards containing alterations with no approvals.

Recommendations**DPR management:**

- 32. Resolve instances where Arboretum employees reported more hours on their timecards than they recorded on the timelog.**
- 33. Ensure staff properly record separate entries in the time log for each arrival and departure.**

- 34. Ensure timecards are completed in ink, do not contain alterations and reconcile to the log books before approving the accuracy of the time reported to ensure employees are paid only for the hours worked.**
- 35. Reinforce the policy requiring employees to adhere to their work schedules, including break and lunch times and prohibiting employees from making-up time.**

Payroll Efficiency

DPR designed their timelog to provide more detail on employee arrival and departure times than the Department's payroll timecards. However, this log is not efficient since it involves duplicate data entry and signatures, and requires reconciliations with payroll timecards.

The Department can streamline their timekeeping process and continue capturing detailed time data by eliminating the timelog when they implement the eCAPS Time Collection Module. This module provides for recording daily employee arrival and departure times, electronic employee signatures and electronic supervisor approvals. Once approved, the timecards are automatically uploaded to CWTAPPS for payroll purposes. This can help reduce input errors as described above.

Recommendation

- 36. DPR management evaluate eliminating the timelog when they implement the eCAPS Time Collection Module.**

Paid Overtime Authorization

DPR policy requires Arboretum management to submit requests for paid overtime to the Department's Budget Division 30 days before the time will be earned. County Fiscal Manual Section 3.1.8 requires departments to review overtime reports to ensure overtime is accurate and appropriately approved.

Arboretum employees did not obtain pre-approval for 16 of 23 instances (70%) of non-emergency overtime we reviewed. In addition, in three of the seven instances that were preapproved, employees exceeded their 25 hours of approved overtime by an average of 18 hours. Also, in all 23 paid overtime instances, Arboretum management did not submit a request for paid overtime to the Department's Budget Unit as required by Department policy.

We also noted that Department management does not review overtime reports to ensure the overtime is accurate and appropriately approved.

Recommendations

37. Arboretum management ensure all paid overtime requests are pre-approved by the division head and are submitted to the Department's Budget Division 30 days before the time will be earned.
38. Department management review overtime reports to ensure the overtime is accurate and appropriately approved.

Fixed Assets

We attempted to locate ten items from DPR's Arboretum fixed assets list and noted one \$90,000 item was not on Arboretum grounds. Arboretum management transferred the item to another facility in 2006 but did not complete the required form to update the fixed asset inventory. Arboretum staff also did not appropriately adjust inventory records during the 2006 fixed assets physical inventory.

We also compared the Auditor-Controller's (A-C) fixed assets list to the Arboretum's most current fixed assets list. We noted that A-C's fixed assets list contained 20 items while the Arboretum's fixed assets list contained 25 items. In addition:

- Twelve of 25 items (48%) on the Arboretum's fixed assets list were not on the A-C's fixed assets list. In most cases, the Department did not file transfer forms and Equipment Acquisition Check Sheets with the A-C.
- Seven of 20 items (35%) on the A-C's fixed assets list were not on the Arboretum's list. Arboretum management indicated that two of the seven items belonged to the Arboretum and should have been on their fixed assets list. The remaining five had either been decommissioned or were not Arboretum items, but the necessary documentation was not completed to remove the items from the A-C's fixed assets list.

Our findings indicate that DPR does not properly complete or maintain Arboretum fixed asset documents. In addition, fixed asset inventories have not appropriately identified and adjusted missing or newly acquired items. To provide an accurate and complete accounting of fixed assets, DPR management should ensure that Arboretum staff complete the appropriate documents when acquiring, disposing and transferring fixed assets and conduct accurate physical inventories.

Recommendations**DPR management:**

39. Complete and maintain the appropriate fixed asset documents when acquiring, disposing and transferring fixed assets.

40. **Conduct accurate fixed asset inventories accounting for all items recorded on the Auditor-Controller's fixed assets listing; investigating missing items; annotating changes due to transfers, theft, or loss; and updating the lists for items found, but not previously recorded.**

Portable Equipment

The Arboretum cannot document that they conduct annual physical inventories of their County portable equipment as required by the County Fiscal Manual, and our review of the Arboretum's control over portable equipment identified inaccurate and incomplete portable equipment lists. Arboretum personnel could not locate two of the 15 items (13%) sampled from the Arboretum's portable equipment list. In addition, five of the 15 items (33%) on the list contained inaccurate serial numbers or County tags.

We also selected 14 items from Arboretum grounds and traced them back to the portable equipment list. Of the 14 items sampled, ten (71%), including a metal detector, computers/servers, computer monitors and other computer equipment, were not on the portable equipment list.

Our findings indicate that DPR needs to better control and account for Arboretum portable equipment, properly perform their annual portable equipment inventories, and ensure the results of annual inventories are accurately reflected on the Arboretum's portable equipment list.

Recommendation

41. **DPR management ensure Arboretum portable equipment items are properly controlled and accounted for, annual inventories are properly conducted and the results of annual inventories are accurately reflected on the Arboretum's portable equipment list.**

Fleet Management

The Arboretum uses mileage logs to monitor the 11 County vehicles in their fleet. We reviewed four of the logs and noted that Arboretum staff do not always complete the logs appropriately. Specifically, we noted missing destinations, odometer readings and records of entire trips. We also noted that the mileage logs are not kept in a central location and do not indicate the purpose of the trip, who drove the vehicle or who authorized use of the vehicle.

Arboretum management also indicated that the vehicle keys are not kept in a central locked location and maintenance staff have taken the vehicles without approval. In addition, a list of authorized drivers is not maintained and all employees are allowed to drive the vehicles.

To ensure vehicles are driven only by authorized, licensed drivers and are used for their intended purposes, Arboretum management should implement the following recommendations.

Recommendations

Arboretum management:

- 42. Centralize vehicle keys and vehicle trip sheets, and require personnel to properly complete vehicle trips sheets, including the driver's name, vehicle used, purpose of trip, destination, date of use, time in/out, beginning and ending odometer readings, and the supervisor's signed authorization.**
- 43. Maintain and periodically review a list of authorized drivers with valid driver's licenses.**

Travel/Training

The County Fiscal Manual requires employees traveling on County business to complete a travel/training authorization request and get approval before reservations are made. The travel/training authorization request should contain the traveler's name, purpose of the trip, itinerary and manager's signature.

The Department does not always document approval of Foundation paid employee travel. We reviewed 30 County travel/training requests and noted Arboretum management did not have documentation showing that five trips (17%) were approved. All five of these trips were for Foundation paid travel/training for County employees on County time. In addition, of the 25 approved travel/training requests, four (16%) of the approval forms were missing required items, such as itineraries and the purpose for the trip.

DPR management needs to ensure all County employee travel, including travel paid for with Foundation funds, is properly documented and approved by County managers.

Recommendation

- 44. DPR management ensure all County employee travel for Arboretum business is properly documented and approved by County managers.**

County Internal Control Certification Program

The Auditor-Controller (A-C) developed the Internal Control Certification Program (ICCP) to assist County departmental managers in evaluating and improving internal controls in all fiscal areas, thereby reducing the risk of error, fraud and other improper activities. Under the ICCP, County departments are required to annually (or biennially)

review and evaluate controls in key areas and certify that proper controls are in place or note that action is being taken to correct any deficiencies.

Many of the non-compliances noted in our review of the Arboretum's fixed asset controls should have been detected when completing the ICCP. However, the DPR's most recent certification submitted to the A-C indicates that appropriate fixed asset controls were in place. The non-compliances noted in our review of payroll controls could also have been identified in completing the ICCP but were not. For other Arboretum areas we reviewed, the Department's certification appropriately identified weaknesses related to cash controls and portable equipment.

The Department's payroll ICCP is on a biennial cycle. In light of the payroll internal control weaknesses we identified, the Department should conduct annual ICCP reviews for its payroll related operations.

Recommendations

DPR management:

- 45. Ensure that the Internal Control Certification Program questionnaires are accurately completed by qualified staff independent of the function for all applicable assessable units.**
- 46. Perform annual Internal Control Certification Program reviews of payroll controls.**



COUNTY OF LOS ANGELES
DEPARTMENT OF PARKS AND RECREATION
"Creating Community Through People, Parks and Programs"

Russ Guiney, Director

March 26, 2008

TO: Wendy Watanabe
Acting Auditor-Controller

FROM: Russ Guiney
Director

SUBJECT: **DEPARTMENT OF PARKS AND RECREATION – LOS ANGELES
COUNTY ARBORETUM AND BOTANIC GARDEN AUDIT**

Thank you for the opportunity to review the draft report of the Auditor-Controller's audit for the Los Angeles County Arboretum and Botanic Garden (Arboretum).

As you may know, the Department requested the Auditor-Controller to review the operations of the Arboretum. In reviewing the report, several discrepancies were brought to our attention regarding revenue, expenditures, timekeeping and cash handling. We agree with all of the findings throughout the report and within 30 days, we will provide the Auditor-Controller a detailed report indicating the corrective actions we are implementing in all of the recommendations contained in the audit report.

We appreciate the cooperation extended to us by your staff through the audit process.

If you have any questions, please contact me at (213) 738-2951 or your staff may contact Debbie Martin, Deputy Director at (213) 368-5823.

RG:EM:rv

c: Debbie Martin, Parks and Recreation
Elizabeth Mendez, Parks and Recreation
Dr. Mark Wourms, Parks and Recreation